

NASDAQ: HBIO  
Q3'22 Earnings Presentation

**Jim Green, Chairman, President & CEO**

**Mike Rossi, CFO**

**November 8, 2022**



# Forward-Looking Statements and Non-GAAP Financial Information



## Forward-Looking Statements

Information in this presentation or in oral statements of the management of the Company may include forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. You can identify these statements by our use of such words as "will," "guidance," "objectives," "optimistic," "potential," "future," "expects," "plans," "estimates," "continue," "drive," "strategy," "potential," "potentially," "growth," "long-term," "projects," "projected," "intends," "believes," "goals," "sees," "seek," "develop" "possible" "new," "emerging," "opportunity," "pursue" and similar expressions that do not relate to historical matters. Forward-looking statements in this presentation or that may be made during our presentation may include, but are not limited to, statements or inferences about the Company's or management's beliefs or expectations, our anticipated future revenues and earnings, the strength of our market position and business model, industry outlook, the impact of the COVID-10 pandemic and related supply chain disruptions on our business, our business strategy, the positioning of our Company for growth, the market demand and opportunity for our current products, or products we are developing or intend to develop, and our plans, objectives and intentions that are not historical facts. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Investors should note that many factors, as more fully described under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 or described in our other filings with the Securities and Exchange Commission and as otherwise enumerated herein or therein may cause our actual results to differ materially from those in the forward-looking statements. The forward-looking statements in this presentation are qualified by these risk factors. Our results may also be affected by factors of which we are not currently aware. We may not update these forward-looking statements, even though our situation may change in the future, unless we have obligations under the federal securities laws to update and disclose material developments related to previously disclosed information.

## Management's Use of Non-GAAP Financial Information

This presentation includes non-GAAP financial information including constant currency revenue, operating income, adjusted operating margin, and adjusted earnings per share. We believe that this non-GAAP financial information provides investors with an enhanced understanding of the underlying operations of the business. For the periods presented, these non-GAAP financial measures have excluded certain expenses and income resulting from items that we do not believe are representative of the underlying operations of the business, such as amortization of intangibles related to acquisitions, costs related to acquisition, disposition and integration initiatives, impairment charges, severance, restructuring and other business transformation expenses, and stock-based compensation expense, and litigation settlement expenses. They also exclude the tax impact of the reconciling items. Management believes that this non-GAAP financial information is important in comparing current results with prior period results and is useful to investors and financial analysts in assessing the Company's operating performance. Any non-GAAP financial statement information included herein is accompanied by a reconciliation to the nearest corresponding GAAP measure which are included in the appendix.

The non-GAAP financial information provided in this presentation should be considered in addition to, not as a substitute for, the financial information provided and presented in accordance with GAAP and may be different than other companies' non-GAAP financial information.

# Table of Contents

- Summary
- Q3 Performance
- Customer/Product Family Update
- Financial Update
- 2022 Outlook

# CEO Summary: Q3'22 Highlights

## *“Grinding through improving the portfolio and re-sizing the organization by end of Q4”*

---

- Revenue of \$26.9M, down 9% as reported, versus near record Q3 prior year
  - Includes currency impact (-\$1.0M)
  - A very slow summer with lower pre-clinical sales to CRO/pharma across the regions
  - Continued rotation out of obsoleted low margin products sold through distribution
- Adj. Operating Margin\*: 2.6% vs 13.3% PY
  - Adj. Gross Margin\*: 51% in Q3, down from 56% in PY, impacted by inflation (PPV/labor) and absorption
  - Poor mix in the quarter as we work to finish manufacturing of the low margin products being obsoleted
  - Q3 was significantly impacted by lower pre-clinical revenue
- Cash flow from operations was \$0.7M, net debt essentially flat vs. Q2'22
- Preparing for FY23, Portfolio and Restructuring Actions are on plan to complete in Q4'22, and are designed to underpin our goal of 58%-to-60% gross margin and Adjusted EBITDA margins in high teens

*\* Non-GAAP measure, reconciliations to GAAP financial measures are available in the appendix*

# 2022 Q3 Revenue by Product Family

-Q3 2022 revenue and YoY growth rates shown in constant currency

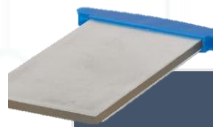


(in \$M)	Q3 2022	Q3 2021	Growth Rate Vs. Q3'21	Comments
Cellular & Molecular	15.0*	14.1	6%	<p>CMT revenue up 6%</p> <ul style="list-style-type: none"> <li>○ Solid growth across geographies with strong growth in cellular products</li> <li>○ CMT grew despite reductions in obsolete non-strategic, lower margin products sold through distributors</li> </ul>
Pre-Clinical	12.9*	15.6	-17%	<p>Pre-Clinical revenue down 17% on</p> <ul style="list-style-type: none"> <li>○ EMEA CRO/pharma sales of telemetry and inhalation down significantly</li> <li>○ APAC: China is recovering but tough comparable to large prior year telemetry order, lower sales in other countries includes negative impact of strong dollar</li> <li>○ US telemetry slower sales to CROs, pipeline improving</li> </ul>
Currency	(1.0)		-3%	Significant currency impact on strong dollar and weakening Euro and GBP
Revenue	26.9	29.7	-9%	

\* Non-GAAP measure, reconciliations to GAAP financial measures are available in the appendix. Constant currency shown at 2021 FX rates subject to rounding.




# New Product Introduction Launches



(Flat Pack Reaction Chamber)


**Electroporation**

- BTX Electroporation Bio-Production Configuration
- Bridge to Production
- Consumable: Flat Pack Reaction Chambers
- Expanded Services
- Low to Med Throughput
- Ease of use
- New Growth



**Spectrophotometry**

- Premium U7500
- GLP/21 CFR Compliant
- Bandwidth <2nm for High Precision Measurement
- Top Academic Labs
- High throughput for Pharma QC
- Ease of use / small footprint



**Telemetry**

- “Exclusive” Glucose Endpoint Implantable
- Only Continuous Monitoring Solution
- GLP/21 CFR Compliant
- Solution: 3x data capture rate, 83% reduction in lab techs, 67% reduction in animal models

- Inroads to Bio-production use of BTX electroporation with expanding consumables & services
- Order received from top tier Pharma company, expect >\$1M annually

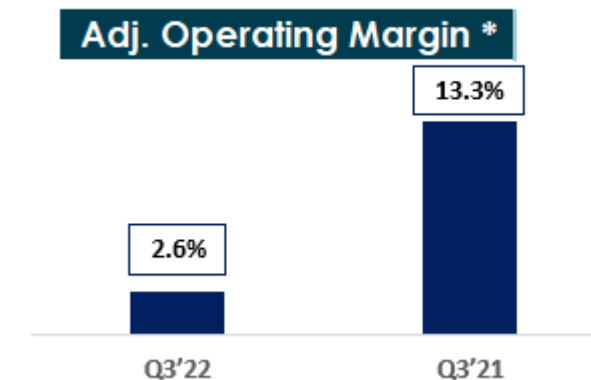
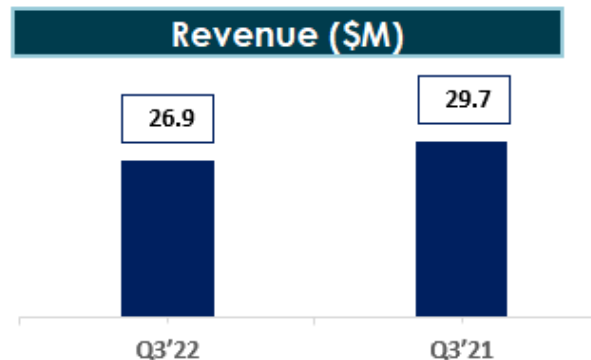
- Premium Spectrophotometer for Pharma/CRO and Top Academic Labs
- Replaces 3 existing lower margin models

- New continuously monitoring glucose telemetry probe for Academic Labs and Pharma/CRO drug development, expect >\$0.5M annual sales

# Financial Section

# Q3'22 Performance versus Q3'21

▪ Revenue	\$26.9M, down 9% (-\$1M Currency)
▪ Gross Margin (GAAP) / Adjusted*	45.2% / 50.6%
▪ Operating Income / Margin (GAAP)	(3.8M) / -14.0%
▪ Adj. Operating Income / Margin*	\$0.7M / 2.6%
▪ Income/(Loss) Per Diluted Share (GAAP)	(\$0.08)
▪ Adjusted Diluted EPS*	(\$0.01), down from \$0.06
▪ Cash Flow from Operations	+\$0.6M in Q3'22
▪ Net Debt Decrease	\$0.2M in Q3'22
▪ Leverage Ratio (Debt-to-TTM Adj. EBITDA)	3.9x



\* Non-GAAP measure, reconciliations to GAAP financial measures are available in the appendix



# 2022 Q3 Non-GAAP Results Year-over-Year

(in M, except EPS)	Q3'22	Q3'21
Revenue	26.9	29.7
Adj. Gross Profit*	13.6	16.4
Adj. Gross Margin %	50.6%	55.5%
Adj. Operating Expenses*	12.9	12.5
Adj. % of Revenue	48.0%	42.1%
Adj. Operating Income*	0.7	3.9
Adj. Operating Margin %	2.6%	13.3%
Adj. Net Income*	(0.3)	2.7
Diluted Shares Outstanding	41.6	43.5
Adj. Diluted EPS*	(0.01)	0.06
(in \$ M)	Q3'22	Q3'21
Net Debt *	45.0	40.9
Cash Flow From Operations	0.6	(0.7)

- **Adj. Gross Margin:** decline due to higher COGS associated with inflation (labor, materials costs) plus lower fixed cost absorption with revenue decline.
- **Adj. Operating Expense:** headcount costs up on inflation, net of initial savings of reorg launched in July '22. R&D up on project spend (primarily Telemetry investments).
- **Adj. Operating Income:** significantly down vs. PY due to lower revenue plus inflation/cost factors noted.
- **Net Debt:** up vs prior year due to Legal Settlement, lower earnings
  - Returned to positive cash flow from operations in the quarter with DSO improvement, cash outflows from legal settlement complete in Q2'22
  - Leverage (debt-to-TTM Adj. EBITDA): 3.9x at Q3'22
  - Debt amendment secured to provide flexibility through 2023 to finish restructuring activities required to set up margin, cash flow expansion

Note: income statement items above other than revenue are non-GAAP measure, reconciliations to GAAP financial measures are available in the appendix.

\* Net debt = debt outstanding less cash and cash equivalents

Amounts subject to rounding

# 2022 Outlook

# 2022 Outlook: Looking Forward

*“Assuming no major market interruptions”*

---

## Q4'22 Outlook

- Revenue in the \$30M range
- Sequentially improving revenue, improved mix returns gross margin to 1<sup>st</sup> half range and operating margin 14% to 15% range
- Improving inventory and working capital management improves cash flow

## Full Year 2022 Outlook

- Revenue approximately \$115M, GM 55% to 56%, OM 9% to 10%

**Make 2023 a clean year and become the profitable growth-oriented platform we envisioned**

By end of Q4'22: complete obsoleting low margin non-strategic product lines in combination with Resizing/Leaning manufacturing operations overheads and reducing OPEX

- Supports our target gross margins to 58% to 60% range and Adjusted EBITDA margins to the high teens
- New Product Introductions and improved portfolio with pricing power drives profitable organic growth
- Transformation costs expected to be significantly lower with restructuring essentially complete in Q4'22

## Appendix:

- **Revenue by Product Family and GAAP to Non-GAAP Constant Currency Reconciliations**
- **GAAP Financials**
- **GAAP to Non-GAAP Reconciliations**

# Revenue By Product Family

-Including GAAP to Non-GAAP constant currency reconciliation



(in \$M)	Q1'21	Q2'21	Q3'21	Q4'21	FY'21	Q1'22*	Q2'22*	Q3'22*
Cellular & Molecular Product Lines - constant currency*	13.6	13.6	14.1	14.9	56.2	14.5	16.0	15.0
Currency ADJ						(0.3)	(0.7)	(0.8)
<b>Cellular &amp; Molecular Product Lines - GAAP</b>						<b>14.2</b>	<b>15.3</b>	<b>14.2</b>
Pre-Clinical Product Lines - constant currency*	13.4	15.6	15.6	18.1	62.7	14.7	14.1	12.9
Currency ADJ						(0.1)	(0.2)	(0.2)
<b>Cellular &amp; Molecular Product Lines - GAAP</b>						<b>14.6</b>	<b>13.9</b>	<b>12.7</b>
Total HBIO - constant currency*						29.2	30.1	27.9
Currency ADJ						(0.4)	(0.9)	(1.0)
<b>Total HBIO- GAAP</b>	<b>27.0</b>	<b>29.2</b>	<b>29.7</b>	<b>33.0</b>	<b>118.9</b>	<b>28.8</b>	<b>29.2</b>	<b>26.9</b>

Note: Pre-Clinical revenue now includes Behavior, Isolated Organ and Surgical products formerly classified in CMT in addition to legacy DSI products. Aligns with strategic direction and go-to-market / product line management.

\* Constant currency shown at 2021 FX rates subject to rounding. We believe that referring to comparable constant currency revenue and growth rates is a useful way to evaluate the underlying performance of our business. Constant currency amounts, a non-GAAP financial measure, adjust for the impact of foreign currency exchange rate in the current period relative to the prior year period, and more closely reflect the change in sales between the relevant periods.

# GAAP Income Statements

(in \$ M, except EPS)	Q3'22 QTD	Q3'21 QTD	Q3'22 YTD	Q3'21 YTD
Revenue	26.9	29.7	84.9	85.8
Gross Profit	12.2	16.3	45.0	48.1
<i>Gross Margin %</i>	45.2%	55.0%	53.0%	56.0%
Operating Expenses	15.9	15.8	51.5	47.7
<i>% of Revenue</i>	59.2%	53.1%	60.6%	55.6%
Operating Income / (Loss)	(3.8)	0.5	(6.5)	0.4
<i>Operating Margin %</i>	-14.0%	1.8%	-7.6%	0.4%
Net Loss	(3.4)	(0.2)	(7.9)	(1.2)
Loss Per Diluted Share	(0.08)	(0.00)	(0.19)	(0.03)

Amounts subject to rounding



# Balance Sheet Q3 2022

(in \$ M)	Q3'22	Q4'21
<b>Assets</b>		
Cash & Cash Equivalents	5.1	7.8
Accounts Receivable	15.0	21.8
Inventories	26.1	27.6
Other Current Assets	5.5	4.3
<b>Total Current Assets</b>	<b>51.8</b>	<b>61.6</b>
Property, Plant, Equipment	3.6	3.4
Goodwill & Other Intangibles	77.3	85.1
Other Assets	14.3	12.3
<b>Total Assets</b>	<b>147.0</b>	<b>162.3</b>
<b>Liabilities &amp; Stockholders' Equity</b>		
Current Portion, Lt Debt	2.7	3.2
Other Current Liabilities	18.6	22.1
<b>Total Current Liabilities</b>	<b>21.4</b>	<b>25.3</b>
Long-Term Debt	46.5	45.1
Other Long-Term Liabilities	7.1	8.5
Stockholders' Equity	72.0	83.4
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>147.0</b>	<b>162.3</b>

# Cash Flow Statements: Nine Months Ended

(in \$ M)	Sep' 2022	Sep' 2021
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(1.5)</b>	<b>1.1</b>
Additions to PP&E	(1.4)	(0.8)
Other Investing Activities	-	(0.2)
<b>Net Cash Used in Investing Activities</b>	<b>(1.4)</b>	<b>(1.0)</b>
Net Debt Activity	0.7	(3.1)
Other Financing Activities	(0.8)	0.3
<b>Net Cash Used in Financing Activities</b>	<b>(0.1)</b>	<b>(2.8)</b>
Effects of Exchange Rate Changes on Cash	0.3	(0.1)
Cash at Beginning of Period	7.8	8.3
Cash at End of Period	5.1	5.5
<b>Decrease in Cash</b>	<b>(2.7)</b>	<b>(2.8)</b>

Amounts subject to rounding

# GAAP to Non-GAAP Reconciliation: Three Months Ended September 30, 2022

HARVARD BIOSCIENCE, INC.						
Reconciliation of GAAP to Non-GAAP Financial Measures (unaudited)						
Three Months Ended September 30, 2022						
(in thousands, except per share data)						
Statement of Operations	GAAP	Stock-Based Compensation	Acquired Assets Amortization	Settlement, Restructuring, Transformation & Other	Income Taxes	ADJUSTED
Revenues	\$ 26,922	-	-	-	-	\$ 26,922
Cost of revenues	14,750	-	(7)	(1,441)	-	13,302
Gross profit	12,172	-	7	1,441	-	13,620
<b>Gross Margin</b>	<b>45.2%</b>					<b>50.6%</b>
Operating expenses:						
Sales and marketing expenses	5,819	(147)	(1)	120	-	5,791
General and administrative expenses	6,324	(919)	(8)	(942)	-	4,455
Research and development expenses	2,763	(73)	(8)	(10)	-	2,672
Amortization of intangible assets	1,572	-	(1,572)	-	-	-
Settlement of litigation, net	(544)	-	-	544	-	-
Total operating expenses	15,934	(1,139)	(1,589)	(288)	-	12,918
<b>Operating Expenses - % of Revenues</b>	<b>59.2%</b>					<b>48.0%</b>
Operating (loss) income	(3,762)	1,139	1,596	1,729	-	702
<b>Operating Margin</b>	<b>-14.0%</b>					<b>2.6%</b>
Other expense:						
Interest expense	(749)	-	-	-	-	(749)
Other expense, net	(179)	-	-	(80)	-	(259)
Total other expense	(928)	-	-	(80)	-	(1,008)
Loss before income taxes	(4,690)	1,139	1,596	1,649	-	(306)
Income tax benefit	(1,285)	-	-	-	1,244	(41)
Net loss	\$ (3,405)	\$ 1,139	\$ 1,596	\$ 1,649	\$ (1,244)	\$ (265)
Loss per share	\$ (0.08)					\$ (0.01)
Diluted weighted average common shares	41,637					41,637

# GAAP to Non-GAAP Reconciliation: Three Months Ended September 30, 2021



HARVARD BIOSCIENCE, INC.						
Reconciliation of GAAP to Non-GAAP Financial Measures (unaudited)						
Three Months Ended September 30, 2021						
(in thousands, except per share data)						
Statement of Operations	GAAP	Stock-Based Compensation	Acquired Assets Amortization	Restructuring, Transformation	Income Taxes	ADJUSTED
Revenues	\$ 29,663	-	-	-	-	\$ 29,663
Cost of revenues	13,355	(32)	(15)	(94)	-	13,214
Gross profit	16,308	32	15	94	-	16,449
<b>Gross Margin</b>	<b>55.0%</b>					<b>55.5%</b>
Operating expenses:						
Sales and marketing expenses	6,183	(149)	(2)	(261)	-	5,771
General and administrative expenses	5,458	(790)	(16)	(426)	-	4,226
Research and development expenses	2,660	(33)	(10)	(113)	-	2,504
Amortization of intangible assets	1,459	-	(1,459)	-	-	-
Total operating expenses	15,760	(972)	(1,487)	(800)	-	12,501
<b>Operating Expenses - % of Revenues</b>	<b>53.1%</b>					<b>42.1%</b>
Operating income	548	1,004	1,502	894	-	3,948
<b>Operating Margin</b>	<b>1.8%</b>					<b>13.3%</b>
Other expense:						
Interest expense	(373)	-	-	-	-	(373)
Other expense, net	(130)	-	-	-	-	(130)
Total other expense	(503)	-	-	-	-	(503)
Income before income taxes	45	1,004	1,502	894	-	3,445
Income tax expense	215	-	-	-	580	795
Net (loss) income	\$ (170)	\$ 1,004	\$ 1,502	\$ 894	\$ (580)	\$ 2,650
(Loss) income per share	\$ (0.00)					\$ 0.06
Diluted weighted average common shares	40,754					43,500

# GAAP to Non-GAAP Reconciliation: Nine Months Ended September 30, 2022



HARVARD BIOSCIENCE, INC.						
Reconciliation of GAAP to Non-GAAP Financial Measures (unaudited)						
Nine Months Ended September 30, 2022						
(in thousands, except per share data)						
Statement of Operations	GAAP	Stock-Based Compensation	Acquired Assets Amortization	Settlement, Restructuring, Transformation & Other	Income Taxes	ADJUSTED
Revenues	\$ 84,908	-	-	-	-	\$ 84,908
Cost of revenues	39,922	(88)	(27)	(1,598)	-	38,209
Gross profit	44,986	88	27	1,598	-	46,699
<b>Gross Margin</b>	<b>53.0%</b>					<b>55.0%</b>
Operating expenses:						
Sales and marketing expenses	19,093	(493)	(4)	(250)	-	18,346
General and administrative expenses	18,630	(2,633)	(38)	(2,861)	-	13,098
Research and development expenses	9,480	(187)	(27)	(137)	-	9,129
Amortization of intangible assets	4,492	-	(4,492)	-	-	-
Settlement of litigation, net	(233)	-	-	233	-	-
Total operating expenses	51,462	(3,313)	(4,561)	(3,015)	-	40,573
<b>Operating Expenses - % of Revenues</b>	<b>60.6%</b>					<b>47.8%</b>
Operating (loss) income	(6,476)	3,401	4,588	4,613	-	6,126
<b>Operating Margin</b>	<b>-7.6%</b>					<b>7.2%</b>
Other expense:						
Interest expense	(1,648)	-	-	-	-	(1,648)
Other expense, net	(163)	-	-	(80)	-	(243)
Total other expense	(1,811)	-	-	(80)	-	(1,891)
(Loss) income before income taxes	(8,287)	3,401	4,588	4,533	-	4,235
Income tax (benefit) expense	(437)	-	-	-	1,409	972
Net (loss) income	\$ (7,850)	\$ 3,401	\$ 4,588	\$ 4,533	\$ (1,409)	\$ 3,263
(Loss) income per share	\$ (0.19)					\$ 0.08
Diluted weighted average common shares	41,353					42,665

# GAAP to Non-GAAP Reconciliation: Nine Months Ended September 30, 2021

HARVARD BIOSCIENCE, INC.						
Reconciliation of GAAP to Non-GAAP Financial Measures (unaudited)						
Nine Months Ended September 30, 2021						
(in thousands, except per share data)						
Statement of Operations	GAAP	Stock-Based Compensation	Acquired Assets Amortization	Restructuring, Transformation	Income Taxes	ADJUSTED
Revenues	\$ 85,849	-	-	-	-	\$ 85,849
Cost of revenues	37,757	(83)	(51)	(247)	-	37,376
Gross profit	48,092	83	51	247	-	48,473
<b>Gross Margin</b>	<b>56.0%</b>					<b>56.5%</b>
Operating expenses:						
Sales and marketing expenses	17,299	(373)	(6)	(375)	-	16,545
General and administrative expenses	18,190	(2,593)	(49)	(2,380)	-	13,168
Research and development expenses	7,848	(87)	(32)	(408)	-	7,321
Amortization of intangible assets	4,388	-	(4,388)	-	-	-
Total operating expenses	47,725	(3,053)	(4,475)	(3,163)	-	37,034
<b>Operating Expenses - % of Revenues</b>	<b>55.6%</b>					<b>43.1%</b>
Operating income	367	3,136	4,526	3,410	-	11,439
<b>Operating Margin</b>	<b>0.4%</b>					<b>13.3%</b>
Other expense:						
Interest expense	(1,161)	-	-	-	-	(1,161)
Other expense, net	(477)	-	-	-	-	(477)
Total other expense	(1,638)	-	-	-	-	(1,638)
(Loss) income before income taxes	(1,271)	3,136	4,526	3,410	-	9,801
Income tax (benefit) expense	(22)	-	-	-	2,365	2,343
Net (loss) income	\$ (1,249)	\$ 3,136	\$ 4,526	\$ 3,410	\$ (2,365)	\$ 7,458
(Loss) income per share	\$ (0.03)					\$ 0.17
Diluted weighted average common shares	40,202					43,113



# GAAP to Non-GAAP Reconciliation: Adjusted EBITDA

**HARVARD BIOSCIENCE, INC.**  
**Reconciliation of GAAP to Non-GAAP Financial Measures (unaudited)**  
**(in thousands)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2022</b>	<b>September 30, 2021</b>	<b>September 30, 2022</b>	<b>September 30, 2021</b>
<b>Operating income</b>	\$ (3,762)	\$ 548	\$ (6,476)	\$ 367
Stock-based compensation expense	1,139	1,004	3,401	3,136
Acquired asset amortization	1,596	1,502	4,588	4,526
Settlements, restructuring and transformation costs	1,729	894	4,613	3,410
<b>Adjusted operating income</b>	<b>702</b>	<b>3,948</b>	<b>6,126</b>	<b>11,439</b>
Depreciation expense	364	420	1,122	1,311
<b>Adjusted EBITDA</b>	<b>\$ 1,066</b>	<b>\$ 4,368</b>	<b>\$ 7,248</b>	<b>\$ 12,750</b>